

January 21, 2019

Q3FY19 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|--------------------|---------|--------|----------|--------|
| | FY20E | FY21E | FY20E | FY21E |
| Rating | BUY | | BUY | |
| Target Price | 22 | | 22 | |
| NII (Rs. m) | 23,349 | 25,779 | 23,921 | 27,160 |
| % Chng. | | | (2.4) | (5.1) |
| Op. Profit (Rs. m) | 13,939 | 14,744 | 14,456 | 16,071 |
| % Chng. | | | (3.6) | (8.3) |
| EPS (Rs.) | 2.4 | 2.6 | 2.6 | 3.0 |
| % Chng. | | | (5.6) | (13.9) |

Key Financials

| | FY18 | FY19E | FY20E | FY21E |
|-------------------|--------|--------|--------|--------|
| NII (Rs m) | 19,655 | 20,717 | 23,349 | 25,779 |
| Op. Profit (Rs m) | 14,808 | 12,536 | 13,939 | 14,744 |
| PAT (Rs m) | 3,349 | 2,689 | 4,429 | 4,682 |
| EPS (Rs.) | 1.9 | 1.5 | 2.4 | 2.6 |
| Gr. (%) | (25.5) | (19.8) | 64.7 | 5.7 |
| DPS (Rs.) | 0.5 | 0.5 | 0.5 | 0.6 |
| Yield (%) | 3.1 | 3.1 | 3.1 | 3.8 |
| NIM (%) | 2.7 | 2.5 | 2.5 | 2.5 |
| RoAE (%) | 6.6 | 5.0 | 7.9 | 7.9 |
| RoAA (%) | 0.4 | 0.3 | 0.4 | 0.4 |
| P/BV (x) | 0.6 | 0.5 | 0.5 | 0.5 |
| P/ABV (x) | 0.8 | 0.9 | 0.7 | 0.6 |
| PE (x) | 8.4 | 10.5 | 6.4 | 6.0 |
| CAR (%) | 12.7 | 13.1 | 13.4 | 13.3 |

Key Data

SIBK.BO | SIB IN

| | |
|---------------------|-------------------|
| 52-W High / Low | Rs.34 / Rs.12 |
| Sensex / Nifty | 36,387 / 10,907 |
| Market Cap | Rs.28bn / \$ 396m |
| Shares Outstanding | 1,810m |
| 3M Avg. Daily Value | Rs.535.06m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | - |
| Foreign | 25.73 |
| Domestic Institution | 13.04 |
| Public & Others | 61.23 |
| Promoter Pledge (Rs bn) | |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-----|--------|--------|
| Absolute | 1.3 | (28.2) | (51.1) |
| Relative | 1.2 | (28.2) | (52.6) |

Pritesh Bumb

priteshbumb@plindia.com | 91-22-66322232

Prabal Gandhi

prabalgandhi@plindia.com | 91-22-66322258

Weak quarter

Quick Pointers

- High slippages from corporate on recognition of IL&FS as NPA
- Margins steadily improving but lower than peers and guidance levels

SIB's earnings were in-line with expectations but internal performance was weak given the large slippages during the quarter leading to higher provisions and interest reversals and coupled with slightly slower loan growth. PPOP growth of 5.7% YoY continues to remain sub-optimal and was driven by strong treasury gains. Slippages came in from corporate book mainly from the IL&FS recognition and another EPC account both accounting for Rs5.0bn (+75% of slippages). Stock trades at 0.7x Sep-20 ABV which is undemanding but few niggling issues like lower PCR, some stress book still remains in corporate (SMA) and slippage run-rate of Rs2.5bn will keep asset quality at focus and hence re-rating should be sometime away. Maintain BUY with TP of Rs22 (unchanged) based on 1,0x Sep-20 ABV.

- **Weak on operational front:** NII growth continued to be muted with 2.0% YoY growth on interest reversals and relatively slower growth rate in loans. Although, margins improved by 5bps QoQ to 2.66% on back of better yields as retail continued to grow on better pace, while CoF rise was very marginal. Bank continues to believe margins uptick towards 2.8-2.85% is possible given the loan book is largely on 1Yr MCLR and should see further repricing, relatively lower interest reversals and thrust in Retail/MSME.
- **Loan growth momentum slower:** Loans growth 14.5% was slightly slower mainly on slower MSME/Agri. Kerala and non-south ex-Kerala book continued to drive growth with Kerala share at 40.3% broadly stable, while gaining share in non-south ex Kerala book to 30.0%. On liabilities front, CASA mix was steady at 24% with growth of 12% YoY but was better than TDs growth of 9.3% YoY. We note that wholesale deposits growth was strong at 34% YoY with share of 19.7% in deposits and has been steadily rising which can remain as pressure on NIMs movement.
- **Asset quality deteriorates on high slippages:** Bank's recognized high slippages of Rs6.59bn of which bank recognized two a/c in corporate of Rs5.1bn from IL&FS and EPC and some slippage contribution from MSME. Bank also completed its restructuring impacted from floods of Rs1.78bn. Bank saw some higher write-offs during the quarter which helped asset quality to some extent but PCR came off to 28.3% (excl. technical w.off) from 32.6%.
- **Some niggling issues remain:** Lower PCR is a niggling issue and hence bank expects credit cost of +1% in FY20 as well despite lower slippages rate of Rs2.0-2.5bn. Bank maintains +60% PCR on NCLT a/c (in forms of SRs) and hence should not see any issue, while rest of NPAs have better collaterals. But SMA-2 (above Rs50mn) of Rs18.0bn is still on higher side but has exposure above +Rs250mn in 9 a/c and +Rs1.0bn in 1 a/c and hence asset quality improvement will be gradual.

Exhibit 1: Weak core performance & higher slippages impact bottom line

| (Rs m) | Q3FY19 | Q3FY18 | YoY gr. (%) | Q2FY19 | QoQ gr. (%) |
|------------------------------------|--------------|--------------|---------------|--------------|-------------|
| Interest Income | 17,352 | 15,770 | 10.0 | 16,965 | 2.3 |
| Interest Expended | 12,155 | 10,676 | 13.9 | 11,900 | 2.1 |
| Net interest income (NII) | 5,196 | 5,094 | 2.0 | 5,065 | 2.6 |
| -Treasury income | 270 | 110 | 145.5 | 130 | 107.7 |
| Other income | 1,868 | 1,588 | 17.6 | 1,579 | 18.3 |
| Total income | 7,064 | 6,682 | 5.7 | 6,644 | 6.3 |
| Operating expenses | 3,744 | 3,381 | 10.7 | 3,546 | 5.6 |
| -Staff expenses | 2,022 | 1,849 | 9.4 | 1,963 | 3.0 |
| -Other expenses | 1,722 | 1,532 | 12.4 | 1,583 | 8.7 |
| Operating profit | 3,320 | 3,302 | 0.6 | 3,098 | 7.2 |
| Core operating profit | 3,050 | 3,192 | (4.4) | 2,968 | 2.8 |
| Total provisions | 2,031 | 1,543 | 31.7 | 2,047 | (0.8) |
| Profit before tax | 1,289 | 1,759 | (26.7) | 1,051 | 22.6 |
| Tax | 450 | 609 | (26.0) | 350 | 28.8 |
| Profit after tax | 838 | 1,150 | (27.1) | 701 | 19.6 |
| Balance sheet (Rs m) | | | | | |
| Deposits | 7,76,650 | 6,81,090 | 14.0 | 7,49,112 | 3.7 |
| Advances | 5,92,560 | 5,16,380 | 14.8 | 5,65,725 | 4.7 |
| Ratios (%) | | | | | |
| Profitability ratios | | | | | |
| Yield on Advances | 9.64% | 9.88% | (24) | 9.50% | 14 |
| Cost of Funds | 5.59% | 5.40% | 19 | 5.57% | 2 |
| NIM | 2.66% | 2.88% | (22) | 2.61% | 5 |
| RoAA | 0.30% | 0.58% | (28) | 0.33% | (3) |
| Asset Quality | | | | | |
| Gross NPL (Rs m) | 29,300 | 17,746 | 65.1 | 26,462 | 10.7 |
| Net NPL (Rs m) | 20,997 | 12,108 | 73.4 | 17,847 | 17.6 |
| Gross NPL ratio (%) | 4.88 | 3.40 | 148 | 4.61 | 27 |
| Net NPL ratio (%) | 3.54 | 2.35 | 119 | 3.16 | 38 |
| Coverage ratio (Rep) (%) | 41.17 | 49.35 | (818) | 41.90 | (73) |
| Business & Other Ratios | | | | | |
| CASA mix | 24.30 | 24.86 | (56) | 24.60 | (30) |
| Cost-income ratio | 53.00 | 50.59 | 241 | 53.37 | (37) |
| Non int. inc / total income | 26.44 | 23.77 | 267 | 23.77 | 267 |
| Credit deposit ratio | 76.30 | 75.82 | 48 | 75.52 | 78 |
| CAR | 11.80 | 12.51 | (71) | 12.10 | (30) |
| Tier-I | 9.70 | 10.10 | (40) | 10.00 | (30) |

Source: Company, PL

NII growth was subdued due to declining NIMs and slower momentum in loan growth

Other income growth was moderate due to de-growth in core fee income; core fee income constitutes 58% of total other income

C/I ratio marginally improved on sequential basis

Provisions inched up on lesser recoveries and higher standard asset provisioning

Loan growth continues to be in mid-teens with momentum slowing; however, growth in retail book picked up

Margins saw sequential rise on better yields despite slower loan growth

Asset quality deteriorated on higher corporate slippages; total slippage run-rate at 4.45% v/s 2% in 3Q18

CASA mix has seen gradual decline on strong bulk deposits growth but CASA growth remained steady

3Q19 Conference Call Highlights

Business growth & Outlook

- Retail growth (29% YoY) was driven by mortgage loans (51% YoY), auto loans (31% YoY), Gold loans (38% YoY). Spurt in gold loan portfolio was primarily on account of buyout of 5.37bn (done due to attractive yields)
- To address asset quality concerns bank has moved underwriting to centralized mechanism, although beneficial in the long run, in the short run (current quarter) it led to slow growth in Agri and MSME book. Now, given completion of centralization in these verticals better disbursement number is expected in 4Q19.
- Management maintained loan growth guidance of 20% in FY20, NIM at 2.85% on account of reversal in write down, pricing power (centralized mechanism) and better CASA share (30% from current levels of 24%). Culminating, bank targets RoA of 1% (current 0.30%)
- Bank opened representative office in Dubai to increase NRI deposits (account for 27% of total deposits as of date)
- Bank is emphasizing on region wise CASA evolution. Out of 20 regions, 10 regions boost of more than 30% CASA, within which two regions (in Kerala) have CASA upward of 50%. Management targets to reach overall CASA levels of 30% by FY20.

Margins

- NIM net improved sequentially 5bps to 2.66%, however gross improvement was ~10bps with interest reversal consuming ~4bps. Board expects gross 10bps improvement to sustain in coming quarters.
- Incremental yield on home loan/MSME/Agri book was 9.23%/10.9%/10.44%.

Asset Quality

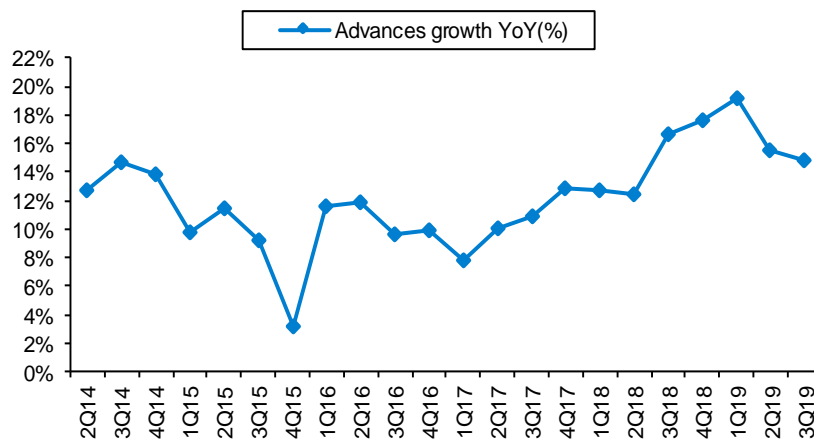
- Guided credit cost of 1%/1.2% by/for Mar'FY19/FY20 (current quarter 1.38%). However, some deviation could be observed given low PCR (aiming for 65-70% mark from current 41%) and uncertainty pertaining to IBC recoveries (see resolution amount of 5-6bn from there). Provisions on IBC accounts were above 60%.
- Classified 4bn IL&FS exposure (total exposure of 4.2bn including 0.2bn of non-fund exposure) as standard and has provided total 15% provisioning on same as of date (0.2bn in previous quarter + 0.4bn in current quarter)
- Bank emphasized that corporate slippages chunk has saturated with all materially prominent accounts categorized. Further, stressed sector exposure has shrink from ~70bn (3Q18) to 20.9bn with meagre 1.65bn/3.4bn exposure in Power discom/roads and no exposure in telecom/EPC/Aviation sector.

- SMA 2 book stood at 2.98% (18.96bn in absolute terms) (v/s GNPA of 4.88%), of which 9.65bn is from >5cr accounts, while remaining are mostly retail based (also secured with sufficient collateral support). There are 9 accounts in >0.25bn<1bn amounting to 4.13bn and 1 account in >1bn of 1.23bn (road project).
- Bank is eyeing recoveries of 5-6bn in FY19 fiscal, of which 3.6bn is already realized, making a case of strong recoveries in fourth quarter. In current quarter, bank saw 0.57bn in recoveries, 1.2bn upgradations and 2.18bn written off.
- Provisions wrt SR book could be visible in 4Q19 as valuations are carried out on half-yearly basis. Notably, provisions on SR book are above 50% as of date.
- Incremental restructured Kerala book increased by 1.78bn with 0.45bn/ 1bn from Agri/MSME. 35% of Agri loans are gold collateralized. MSME witnessed pressure in cashew industry (now bank has halt lending to this industry). Restructuring terms include moratorium of 1 to 2 years and 2 to 4 years of repayment schedule. Total restructured book stood at 9bn.

Capital Raising

- Bank is going to look for capital raising in FY20 to sustain its growth and maintenance of robust capital adequacy ratio. Notably, 5bn raised in Tier II bonds will suffice for 4Q19 needs. CAR stood at 11.8%, Tier I at 9.7%.

Exhibit 2: Loan momentum slowed across verticals except retail book



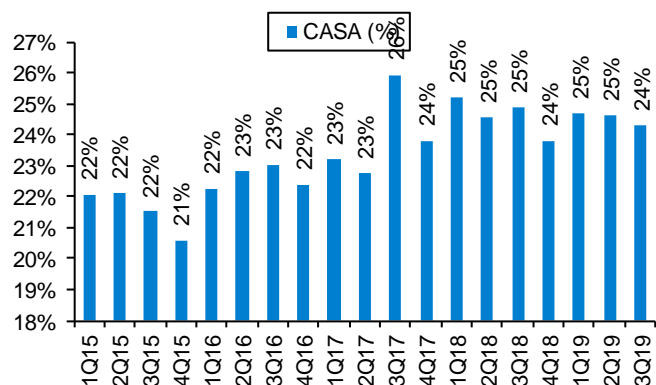
Source: Company, PL

Exhibit 3: Retail outperforming while other segments are lagging behind

| Break-up of Advances | Q3FY19 | Q3FY18 | YoY gr. (%) | Q2FY19 | QoQ gr. (%) |
|-----------------------|-----------------|-----------------|-------------|-----------------|-------------|
| Agri | 80,680 | 75,690 | 6.6 | 78,870 | 2.3 |
| MSME | 1,40,270 | 1,32,550 | 5.8 | 1,33,160 | 5.3 |
| Retail | 1,68,570 | 1,30,270 | 29.4 | 1,60,610 | 5.0 |
| Corporate | 2,11,100 | 1,85,980 | 13.5 | 2,01,490 | 4.8 |
| Total Advances | 6,00,620 | 5,24,490 | 14.5 | 5,74,130 | 4.6 |
| Loan Mix | | | | | |
| Agri | 13.4% | 14.4% | (1.0) | 13.7% | (30.5) |
| MSME | 23.4% | 25.3% | (1.9) | 23.2% | 16.1 |
| Retail | 28.1% | 24.8% | 3.2 | 28.0% | 9.1 |
| Corporate | 35.1% | 35.5% | (0.3) | 35.1% | 5.2 |

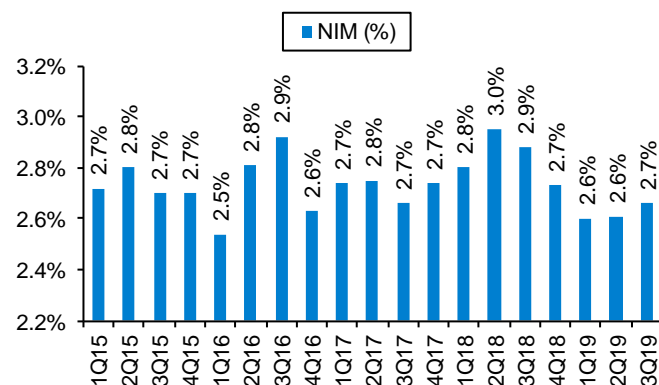
Source: Company, PL

Exhibit 4: CASA mix settled lower on rising bulk deposits



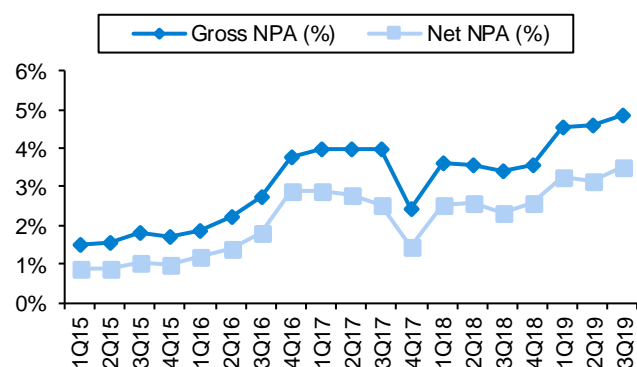
Source: Company, PL

Exhibit 5: NIM sequentially up, though still below average



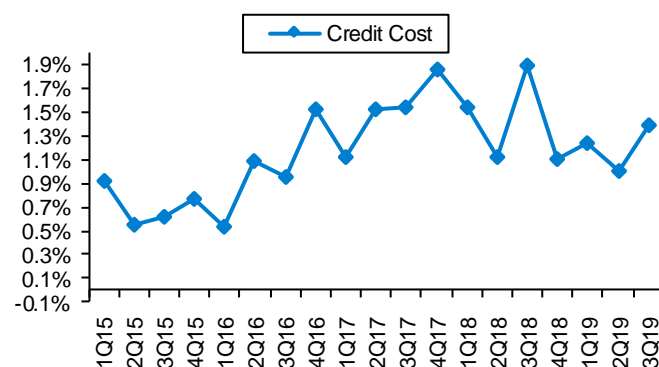
Source: Company, PL

Exhibit 6: Asset quality deteriorated thanks to slippages...



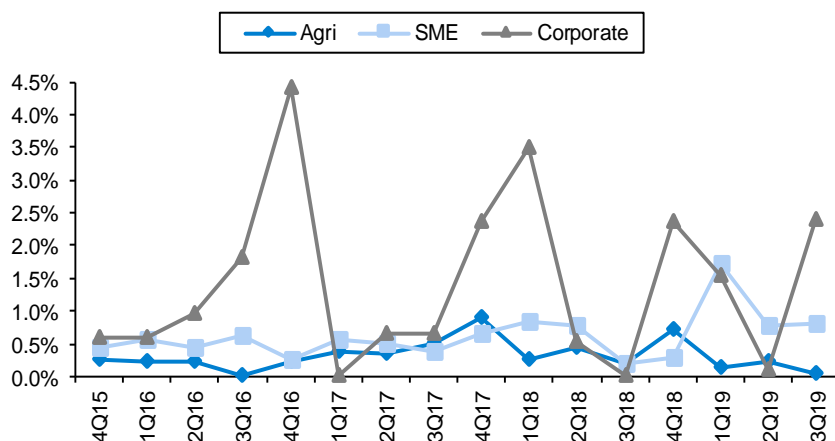
Source: Company, PL

Exhibit 7: ...consequently credit cost elevated



Source: Company, PL

Exhibit 8: Corporate slippages remain a pain



Source: Company, PL

Exhibit 9: We curb estimated PAT for FY19E/FY20E/FY21E

| Rs (mn) | Old | | | Revised | | | % Change | | |
|---------------------|--------|--------|--------|---------|--------|--------|----------|-------|--------|
| | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E |
| Net interest income | 21,126 | 23,921 | 27,160 | 20,717 | 23,349 | 25,779 | (1.9) | (2.4) | (5.1) |
| Operating profit | 12,886 | 14,456 | 16,071 | 12,536 | 13,939 | 14,744 | (2.7) | (3.6) | (8.3) |
| Net profit | 3,339 | 4,694 | 5,435 | 2,689 | 4,429 | 4,682 | (19.5) | (5.6) | (13.9) |
| EPS, Rs. | 1.8 | 2.6 | 3.0 | 1.5 | 2.4 | 2.6 | (19.5) | (5.6) | (13.7) |
| ABV per share, Rs. | 18.6 | 21.7 | 25.0 | 17.8 | 21.0 | 24.1 | (4.5) | (3.6) | (3.5) |
| Price target, Rs. | | 22 | | | 22 | | | 0.1 | |
| Recommendation | | BUY | | | BUY | | | | |

Source: Company, PL

Exhibit 10: We retain TP to Rs22 (unchanged) based on 1.0x Sep-20 ABV

| PT calculation and upside | |
|---------------------------|--------------|
| Terminal growth | 5.0% |
| Market risk premium | 6.0% |
| Risk-free rate | 8.0% |
| Adjusted beta | 1.05 |
| Cost of equity | 14.3% |
| Fair price - P/ABV | 22 |
| Target P/ABV | 1.0 |
| Target P/E | 8.7 |
| Current price, Rs | 16 |
| Upside (%) | 42% |
| Dividend yield (%) | 3% |
| Total return (%) | 55% |

Source: Company, PL

Exhibit 11: One year Forward P/ABV chart



Source: Company, PL

Income Statement (Rs. m)

| Y/e Mar | FY18 | FY19E | FY20E | FY21E |
|----------------------------|---------------|---------------|---------------|---------------|
| Int. Earned from Adv. | 47,692 | 54,246 | 63,351 | 74,222 |
| Int. Earned from invt. | 12,695 | 12,843 | 13,180 | 12,367 |
| Others | 1,351 | 1,583 | 1,893 | 1,949 |
| Total Interest Income | 61,928 | 68,989 | 78,790 | 88,956 |
| Interest Expenses | 42,273 | 48,272 | 55,441 | 63,177 |
| Net Interest Income | 19,655 | 20,717 | 23,349 | 25,779 |
| Growth(%) | 17.2 | (1.6) | 11.5 | 10.3 |
| Non Interest Income | 8,372 | 6,865 | 7,415 | 8,156 |
| Net Total Income | 28,028 | 27,583 | 30,764 | 33,935 |
| Growth(%) | 7.1 | 7.9 | 13.6 | 12.7 |
| Employee Expenses | 7,132 | 8,202 | 9,104 | 10,197 |
| Other Expenses | 5,450 | 6,268 | 7,208 | 8,361 |
| Operating Expenses | 13,220 | 15,047 | 16,825 | 19,192 |
| Operating Profit | 14,808 | 12,536 | 13,939 | 14,744 |
| Growth(%) | 21.9 | (15.3) | 11.2 | 5.8 |
| NPA Provision | 6,863 | 6,569 | 6,777 | 7,108 |
| Total Provisions | 9,809 | 8,492 | 7,278 | 7,703 |
| PBT | 4,999 | 4,044 | 6,661 | 7,041 |
| Tax Provision | 1,650 | 1,355 | 2,231 | 2,359 |
| Effective tax rate (%) | 33.0 | 33.5 | 33.5 | 33.5 |
| PAT | 3,349 | 2,689 | 4,429 | 4,682 |
| Growth(%) | (14.7) | (19.7) | 64.7 | 5.7 |

Balance Sheet (Rs. m)

| Y/e Mar | FY18 | FY19E | FY20E | FY21E |
|--------------------------|-----------------|-----------------|------------------|------------------|
| Face value | 1 | 1 | 1 | 1 |
| No. of equity shares | 1,809 | 1,809 | 1,809 | 1,809 |
| Equity | 1,809 | 1,809 | 1,809 | 1,809 |
| Networth | 52,412 | 54,235 | 57,799 | 61,398 |
| Growth(%) | 8.2 | 3.5 | 6.6 | 6.2 |
| Adj. Networth to NNPA's | 14,392 | 19,617 | 17,477 | 15,361 |
| Deposits | 7,20,296 | 8,06,731 | 9,03,539 | 10,07,446 |
| Growth(%) | 8.9 | 12.0 | 12.0 | 11.5 |
| CASA Deposits | 1,71,417 | 1,96,842 | 2,21,367 | 2,48,839 |
| % of total deposits | 23.8 | 24.4 | 24.5 | 24.7 |
| Total Liabilities | 8,26,839 | 9,29,848 | 10,38,975 | 11,56,680 |
| Net Advances | 5,45,629 | 6,27,473 | 7,27,869 | 8,51,607 |
| Growth(%) | 17.6 | 15.0 | 16.0 | 17.0 |
| Investments | 1,83,631 | 1,93,625 | 1,89,646 | 1,68,958 |
| Total Assets | 8,26,859 | 9,29,848 | 10,38,975 | 11,56,680 |
| Growth (%) | 11.3 | 12.5 | 11.7 | 11.3 |

Asset Quality

| Y/e Mar | FY18 | FY19E | FY20E | FY21E |
|---------------------------|--------|--------|--------|--------|
| Gross NPAs (Rs m) | 19,803 | 28,892 | 27,500 | 25,977 |
| Net NPAs (Rs m) | 14,392 | 19,617 | 17,477 | 15,361 |
| Gr. NPAs to Gross Adv.(%) | 3.6 | 4.5 | 3.7 | 3.0 |
| Net NPAs to Net Adv. (%) | 2.6 | 3.1 | 2.4 | 1.8 |
| NPA Coverage % | 27.3 | 32.1 | 36.4 | 40.9 |

Profitability (%)

| Y/e Mar | FY18 | FY19E | FY20E | FY21E |
|---------|------|-------|-------|-------|
| NIM | 2.7 | 2.5 | 2.5 | 2.5 |
| RoAA | 0.4 | 0.3 | 0.4 | 0.4 |
| RoAE | 6.6 | 5.0 | 7.9 | 7.9 |
| Tier I | 10.4 | 9.6 | 9.0 | 8.4 |
| CRAR | 12.7 | 13.1 | 13.4 | 13.3 |

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

| Y/e Mar | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| Interest Income | 15,890 | 16,539 | 16,965 | 17,352 |
| Interest Expenses | 10,968 | 11,597 | 11,900 | 12,155 |
| Net Interest Income | 4,922 | 4,943 | 5,065 | 5,196 |
| YoY growth (%) | 6.3 | 12.6 | 15.2 | 13.9 |
| CEB | 1,240 | 910 | 950 | 1,080 |
| Treasury | - | - | - | - |
| Non Interest Income | 1,787 | 1,459 | 1,579 | 1,868 |
| Total Income | 17,677 | 17,998 | 18,544 | 19,219 |
| Employee Expenses | 1,933 | 2,111 | 1,963 | 2,022 |
| Other expenses | 1,667 | 1,594 | 1,583 | 1,722 |
| Operating Expenses | 3,600 | 3,705 | 3,546 | 3,744 |
| Operating Profit | 3,109 | 2,696 | 3,098 | 3,320 |
| YoY growth (%) | 10.7 | (28.9) | (32.7) | 0.6 |
| Core Operating Profits | - | - | - | - |
| NPA Provision | 1,517 | 1,741 | 1,332 | 1,894 |
| Others Provisions | 1,486 | 2,315 | 2,047 | 2,031 |
| Total Provisions | 1,486 | 2,315 | 2,047 | 2,031 |
| Profit Before Tax | 1,623 | 381 | 1,051 | 1,289 |
| Tax | 482 | 151 | 350 | 450 |
| PAT | 1,141 | 230 | 701 | 838 |
| YoY growth (%) | 51.0 | (77.3) | 1,523.4 | (27.1) |
| Deposits | 7,20,296 | 7,24,880 | 7,49,112 | 7,76,650 |
| YoY growth (%) | 8.9 | 10.2 | 11.6 | 14.0 |
| Advances | 5,45,629 | 5,54,440 | 5,65,725 | 5,92,560 |
| YoY growth (%) | 17.6 | 19.2 | 15.6 | 14.8 |

Key Ratios

| Y/e Mar | FY18 | FY19E | FY20E | FY21E |
|---------------------------|------|-------|-------|-------|
| CMP (Rs) | 16 | 16 | 16 | 16 |
| EPS (Rs) | 1.9 | 1.5 | 2.4 | 2.6 |
| Book Value (Rs) | 28 | 29 | 31 | 33 |
| Adj. BV (70%)(Rs) | 20 | 18 | 21 | 24 |
| P/E (x) | 8.4 | 10.5 | 6.4 | 6.0 |
| P/BV (x) | 0.6 | 0.5 | 0.5 | 0.5 |
| P/ABV (x) | 0.8 | 0.9 | 0.7 | 0.6 |
| DPS (Rs) | 0.5 | 0.5 | 0.5 | 0.6 |
| Dividend Payout Ratio (%) | 25.7 | 32.2 | 19.6 | 23.1 |
| Dividend Yield (%) | 3.1 | 3.1 | 3.1 | 3.8 |

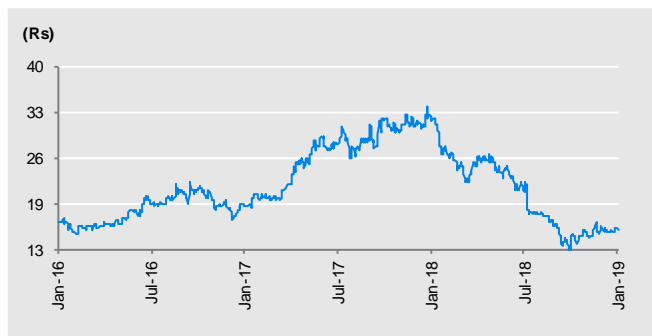
Efficiency

| Y/e Mar | FY18 | FY19E | FY20E | FY21E |
|----------------------------|-------|-------|-------|-------|
| Cost-Income Ratio (%) | 47.2 | 54.6 | 54.7 | 56.6 |
| C-D Ratio (%) | 75.8 | 77.8 | 80.6 | 84.5 |
| Business per Emp. (Rs m) | 174 | 191 | 207 | 225 |
| Profit per Emp. (Rs lacs) | 5 | 4 | 6 | 6 |
| Business per Branch (Rs m) | 1,482 | 1,646 | 1,836 | 2,051 |
| Profit per Branch (Rs m) | 4 | 3 | 5 | 5 |

Du-Pont

| Y/e Mar | FY18 | FY19E | FY20E | FY21E |
|--------------------|------|-------|-------|-------|
| NII | 2.68 | 2.53 | 2.54 | 2.51 |
| Total Income | 3.82 | 3.36 | 3.34 | 3.31 |
| Operating Expenses | 1.80 | 1.83 | 1.83 | 1.87 |
| PPoP | 2.02 | 1.53 | 1.51 | 1.44 |
| Total provisions | 1.34 | 1.04 | 0.79 | 0.75 |
| RoAA | 0.46 | 0.33 | 0.48 | 0.46 |
| RoAE | 6.98 | 5.28 | 8.26 | 8.19 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 13-Apr-18 | BUY | 40 | 26 |
| 2 | 15-May-18 | BUY | 40 | 26 |
| 3 | 10-Jul-18 | BUY | 40 | 22 |
| 4 | 23-Jul-18 | BUY | 26 | 19 |
| 5 | 05-Oct-18 | BUY | 26 | 14 |
| 6 | 16-Oct-18 | BUY | 22 | 15 |
| 7 | 07-Jan-19 | BUY | 22 | 15 |

Analyst Coverage Universe

| Sr. No. | CompanyName | Rating | TP (Rs) | Share Price (Rs) |
|---------|---|------------|---------|------------------|
| 1 | Axis Bank | Accumulate | 681 | 637 |
| 2 | Bank of Baroda | BUY | 161 | 123 |
| 3 | Bank of India | Reduce | 89 | 106 |
| 4 | Federal Bank | BUY | 102 | 89 |
| 5 | HDFC Bank | BUY | 2,371 | 2,130 |
| 6 | HDFC Standard Life Insurance Company | BUY | 440 | 393 |
| 7 | ICICI Bank | BUY | 415 | 368 |
| 8 | ICICI Prudential Life Insurance Company | BUY | 507 | 320 |
| 9 | IDFC Bank | Accumulate | 55 | 46 |
| 10 | IndusInd Bank | BUY | 1,765 | 1,602 |
| 11 | Jammu & Kashmir Bank | BUY | 76 | 37 |
| 12 | Kotak Mahindra Bank | Hold | 1,291 | 1,247 |
| 13 | Max Financial Services | BUY | 629 | 436 |
| 14 | Punjab National Bank | Hold | 79 | 81 |
| 15 | SBI Life Insurance Company | BUY | 779 | 620 |
| 16 | South Indian Bank | BUY | 22 | 15 |
| 17 | State Bank of India | BUY | 355 | 296 |
| 18 | Union Bank of India | Reduce | 79 | 91 |
| 19 | YES Bank | Accumulate | 231 | 187 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

ANALYST CERTIFICATION

(Indian Clients)

We/I, Ms. Pritesh Bumb- MBA, M.com, Mr. Prabal Gandhi- BTech, CFA Level II Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Ms. Pritesh Bumb- MBA, M.com, Mr. Prabal Gandhi- BTech, CFA Level II Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com | Bloomberg Research Page: PRLD <GO>